



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

April 18, 2001

TO: Lowell P. Braxton, Director *Agree LB 4-20*

THRU: Mary Ann Wright, Associate Director *MAW*

THRU: D. Wayne Hedberg, Permit Supervisor *DWH FOR*

FROM: Anthony A. Gallegos, Senior Reclamation Specialist *aa.g*

RE: Request for Approval of Form and Amount of Replacement Reclamation Surety, Kennecott Utah Copper Corporation (KUCC), 4th Line Expansion, M/035/011, Salt Lake County, Utah

On March 19, 2001 we received a replacement surety from KUCC for the 4th Line portion of permit M/035/011 as requested in the Division letter of February 9, 2001. We requested an increase in the amount of surety to reflect reclamation of the second tailings pipeline, which was not included in the previous reclamation plan or surety amount. The second tailings pipeline was constructed within the existing tailings pipeline corridor, therefore, the modification was a minor change to the existing plan and categorized as an amendment. An amendment does not require public notice or public comment according to the Minerals Rules.

KUCC provided a rider to the original surety to increase the amount to \$8,600,000 as requested by the Division. Since the only change to the existing surety is an increase in the amount, a new replacement Reclamation Contract was not considered necessary, as advised by legal council (see attached e-mail). The surety bond is #400JZ4320 with St. Paul Fire & Marine Insurance Company, which is listed on the federal register as an acceptable bonding company and has an A+ rating on the A.M. Bests Ratings and Analysis.

If you are in agreement with the acceptance of this replacement reclamation surety please initial and date this memo next to your name. Since the Reclamation Contract is not being revised, there are no other documents to sign and date. We will then notify KUCC of Division approval of the revised surety amount. Thank you for your consideration of this request.

jb

Attachment: e-mail message Kurt Seel

Enclosures: surety rider, Power of Attorney, original surety bond and MR-RC

O:\kennecott\m35-11\bondmemo.doc

Kennecott Utah Copper Corporation
8315 West 3595 South
P.O. Box 6001
Magna, Utah 84044-6001
Tel: (801) 252-3257
Fax: (801) 252-3125

Paula H. Doughty
Manager, Environmental Compliance

March 14, 2001

Kennecott

Mr. D. Wayne Hedberg
State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114

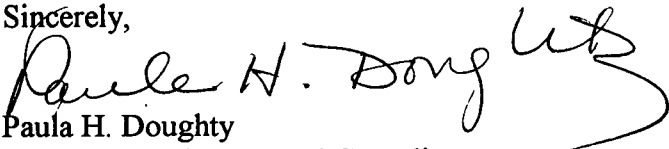
Subject: Update of Reclamation Surety
Kennecott Utah Copper Corporation M/035/011

Dear Mr. Hedberg:

Enclosed please find a Rider to the reclamation bond in relationship to the above referenced permit. The bond is being increased from \$6,372,000.00 to \$8,600,000.00 to address reclamation costs for the second tailings pipeline. The bond is issued by **St. Paul Fire and Marine Insurance Company** and is numbered _____

If you have any questions or comments, please don't hesitate to contact me at 252-3257 or Jack Welch at 252-3526.

Sincerely,


Paula H. Doughty
Manager, Environmental Compliance

Enclosures

C: Jack Welch w/enclosure
Rich Borden w/enclosure

File OPS/RR/CC/Corresp

RECEIVED

MAR 19 2001

DIVISION OF
OIL, GAS AND MINING

RIDER

To be attached to Bond No. _____ issued by

ST. PAUL FIRE AND MARINE INSURANCE COMPANY

(As Surety) in the amount of Six Million Three Hundred Seventy Two Thousand Dollars and 00 Cents*****

***** (\$6,372,000.00)

Dollars, effective the 14th day of December, 1998

ON BEHALF OF KENNECOTT UTAH COPPER CORPORATION

IN FAVOR OF STATE OF UTAH


In consideration of the premium charged for the attached bond, it is mutually understood and agreed by the Principal and the Surety that: BOND AMOUNT IS HEREBY INCREASED FROM THE ABOVE TO: EIGHT MILLION SIX HUNDRED THOUSAND AND NO/100*****(\$8,600,000.00)

All other items, limitations and conditions of said bond except as herein expressly modified shall remain unchanged.

This rider shall be effective as of the 27th day of February, 2001

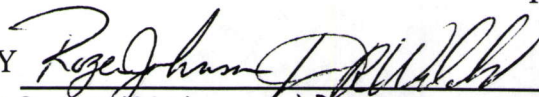
Signed, sealed and dated this the 27th day of February, 2001

ATTEST:


SECRETARY

KENNECOTT UTAH COPPER CORPORATION

Principal

BY 
R.P. JOHNSON J.R. WELCH
VICE PRES/CFO ASSISTANT TREASURER

ST. PAUL FIRE AND MARINE INSURANCE COMPANY

Surety

Accepted:

BY 
TINA MARIE FOSTER Attorney-in-Fact

Bond 22a

Seaboard Surety Company
St. Paul Fire and Marine Insurance Company
St. Paul Guardian Insurance Company
St. Paul Mercury Insurance Company

United States Fidelity and Guaranty Company
Fidelity and Guaranty Insurance Company
Fidelity and Guaranty Insurance Underwriters, Inc.

Power of Attorney No. 22276

Certificate No. 618707

KNOW ALL MEN BY THESE PRESENTS: That Seaboard Surety Company is a corporation duly organized under the laws of the State of New York, and that St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company and St. Paul Mercury Insurance Company are corporations duly organized under the laws of the State of Minnesota, and that United States Fidelity and Guaranty Company is a corporation duly organized under the laws of the State of Maryland, and that Fidelity and Guaranty Insurance Company is a corporation duly organized under the laws of the State of Iowa, and that Fidelity and Guaranty Insurance Underwriters, Inc. is a corporation duly organized under the laws of the State of Wisconsin (*herein collectively called the "Companies"*), and that the Companies do hereby make, constitute and appoint

Frank A. Word, Jr., Tina Marie Foster, Heather Howard King, Fred W. Smith, III, Harold W. Cunningham, Jr.,
Debra Elaine Clark, Samuel Franklin Robinson and Donald Bruce Wake

Knoxville

Tennessee

of the City of _____, State _____, their true and lawful Attorney(s)-in-Fact, each in their separate capacity if more than one is named above, to sign its name as surety to, and to execute, seal and acknowledge any and all bonds, undertakings, contracts and other written instruments in the nature thereof on behalf of the Companies in their business of guaranteeing the fidelity of persons, guaranteeing the performance of contracts and executing or guaranteeing bonds and undertakings required or permitted in any actions or proceedings allowed by law

IN WITNESS WHEREOF, the Companies have caused this instrument to be signed and sealed this 20th day of November, 2000

Seaboard Surety Company
St. Paul Fire and Marine Insurance Company
St. Paul Guardian Insurance Company
St. Paul Mercury Insurance Company

United States Fidelity and Guaranty Company
Fidelity and Guaranty Insurance Company
Fidelity and Guaranty Insurance Underwriters, Inc.



State of Maryland
City of Baltimore

John F. Phinney
JOHN F. PHINNEY, Vice President

Thomas E. Huijbregtse
THOMAS E. HUIJBREGTSE, Assistant Secretary

On this 20th day of November, 2000, before me, the undersigned officer, personally appeared John F. Phinney and Thomas E. Huijbregtse, who acknowledged themselves to be the Vice President and Assistant Secretary, respectively, of Seaboard Surety Company, St. Paul Fire and Marine Insurance Company, St. Paul Guardian Insurance Company, St. Paul Mercury Insurance Company, United States Fidelity and Guaranty Company, Fidelity and Guaranty Insurance Company, and Fidelity and Guaranty Insurance Underwriters, Inc.; and that the seals affixed to the foregoing instrument are the corporate seals of said Companies; and that they, as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the names of the corporations by themselves as duly authorized officers.

In Witness Whereof, I hereunto set my hand and official seal.
My Commission expires the 13th day of July, 2002.



Rebecca Easley-Onokala
REBECCA EASLEY-ONOKALA, Notary Public

KENNECOTT UTAH COPPER CORPORATION
SECRETARY'S C E R T I F I C A T E

As Secretary of Kennecott Utah Copper Corporation, a Delaware corporation (the "Corporation"), I certify the following is a true copy of resolutions adopted by the Board of Directors on 1 December 1997, which resolutions remain effective on this date:

ADOPTION OF BANKING RESOLUTIONS:

IT IS RESOLVED that either the President and Chief Executive Officer, any Vice President or the Controller together with the Treasurer or Assistant Treasurer are authorized to establish and close bank accounts, brokerage accounts, and lines of credit in the name of the Corporation; and it is further

RESOLVED that any two such persons in any combination are authorized to designate the officers, employees, or agents of the Corporation (including themselves) who are authorized to sign checks, drafts, or transfers drawn on any accounts opened in the name of the Corporation and to revoke such authority; and it is further

RESOLVED that the signature of any authorized officer, employee or agent may be affixed to any check or other instrument for the payment of money by printing, by facsimile stamp, or by any other mechanical device, and the bank is hereby authorized to rely upon and accept as genuine any such printed, facsimile stamp, or mechanical signature without any duty to determine the genuineness thereof or whether the affixing thereof has been authorized by the Corporation or the officer, employee, or agent whose name is so affixed; and it is further

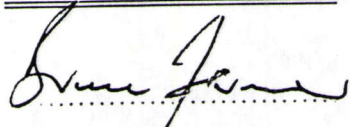
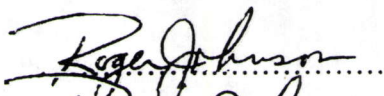
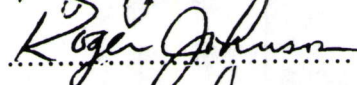


RESOLVED that such two persons, in the same combination as described in the first paragraph above, are authorized to make and direct investments of funds, including specifically but not limited to, the establishment and maintenance of accounts for the purchase and sale of commodity futures, commodity options (on futures or physicals), foreign futures and options, commodity forward contracts and physical commodities (including currencies) and to close such accounts; and it is further

RESOLVED that any two such persons in any combination are authorized to designate the officers, employees, or agents of the Corporation (including themselves) who are authorized to transact business, enter buy or sell orders, trade, and invest or sell investments with respect to any accounts opened in the name of the Corporation and to revoke such authority; and it is further

RESOLVED that the President and Chief Executive Officer or the Chief Financial Officer **together with the Treasurer or Assistant Treasurer** of the Corporation are authorized to execute, in the name of the Corporation, such bonds, guarantees, and any other types of indemnification agreements as they deem advisable; and it is further

RESOLVED that the above banking resolutions supersede all other banking resolutions previously adopted by the Corporation.

I further certify that (1) each of the persons listed below has been appointed and is presently serving in the position set forth to the right of his or her name; and (2) to the right of such position is his or her genuine specimen signature.

<u>NAME OF OFFICER</u>	<u>POSITION</u>	<u>SIGNATURE</u>
B. D. Farmer	President and Chief Executive Officer	
R. P. Johnson	Vice President and Chief Financial Officer	
R. P. Johnson	Controller	
K. P. Done	Treasurer	
J. R. Welch	Assistant Treasurer	

DATED AND SEALED this 28TH day of FEBRUARY 2001.




SHANNON S. CROMPTON

1	RECLAMATION SURETY EST	TE	
2	KENNECOTT UTAH COPPER CORPORATION	M/035/011	Salt Lake County
3	4th LINE - Second Tailings Pipeline Amendment	last revision	01/30/2001
4	Prepared by Utah State Division of Oil, Gas & Minin	(AAG)	O:\BOND\DATA\BONDING\M35-11\pipe2.wb3
5	-This estimate is based on the KUCC 2nd tailings Pipeline estimate dated January 31, 2000.		
6	-This calculation adjusts the KUCC January 31, 2000 estimate for escalation only.		
7	-This estimate is for the 2nd tailings pipeline amendment to the 4th Line part of file M/035/011.		
8	-Equipment mobilization and project supervision costs considered included in Overhead adjustments		
9	-This amendment surety amount to be added to the \$6,372,000 surety in 2003-\$ for the 4th Line.		
10	-A \$10,429,000 surety in 2000-\$ is held separately for the UCD Modernization part of M/035/011.		
11	-Amount of disturbed area which will receive reclamation treatments =	588.0 acres	
12	-Estimated total disturbed area for this mine =	588.0 acres	
13	<u>Activity</u>		\$
14	REMOVE PIPE AND HAUL		
15	Crush Pipe		
16	cat 225 backhoe w/hydraulic	203,777	
17	water truck	78,399	
18	cat 14G patrol	106,097	
19	project supervisor	46,200	
20	laborer	46,552	
21	safety engineer	29,260	
22	4x4 pickup truck	29,040	
23	Load Pipe		
24	cat 980C loader	130,847	
25	Haul Pipe		
26	dump truck, 17 ton payload - 4	319,774	
27	Bury Pipe At Toe of Dump		
28	cat D10L dozer	37,075	
29			
30	DEMO DROP STRUCTURES		
31	Demo Concrete Structure		
32	cat 225 backhoe w/hydraulic	231,565	
33	Haul Concrete to Bingham		
34	cat 988B loader	54,620	
35	dump truck, 17 ton payload - 4	109,014	
36	cat 14G patrol	18,085	
37			
38	DEMO TRESSELS		
39	cat 225 backhoe	13,257	
40	laborer - 3	7,935	
41			
42	CAP BURIED PIPELINE		
43	laborer	1,513	
44	form material	1,000	
45	concrete	1,500	
46		Subtotal	1,465,510
47			
48	10% Direct Burden (KUCC Estimate)	146,551	
49	10% Overhead Burden (KUCC Estimate)	146,551	
50	6% Tax Burden (KUCC Estimate)	87,931	
51		Subtotal	1,846,543
52			
53	10% Contingency	184,654	
54	Total - 2nd Tailings Pipeline Amendment - 2000-\$	2,031,197	
55	Escalate for 3 years at 3.13% per yr	196,762	
56		Total	2,227,958
57	Rounded surety amount for 2nd Tailings Pipeline Amendment in yr 2003-\$	\$2,228,000	
58			
59	Add to existing rounded surety amount in 2003-\$	\$6,372,000	
60			
61	TOTAL SURETY AMOUNT - 4TH LINE PART OF M/035/011 - 2003-\$	\$8,600,000	
62	Overall average cost per acre = \$14,626		